

## Message Text

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E.O. 11652: GDS

TAGS: PFOR

SUBJECT: MORNING SUMMARY OF SIGNIFICANT REPORTS

1. CALLAGHAN WINS HIGH MARKS FOR THE FIRST HUNDRED DAYS

EMBASSY LONDON GIVES PRIME MINISTER CALLAGHAN HIGH MARKS FOR HIS INITIAL THREE MONTHS IN OFFICE. CAUTIOUS BUT CONFIDENT, HE HAS:

--REDUCED INFLATION, STABILIZED UNEMPLOYMENT, AND INCREASED ECONOMIC GROWTH;

--USED HIS CONSIDERABLE INFLUENCE WITH THE LABOR MOVEMENT TO KEEP THE UNIONS PULLING WITH THE GOVERNMENT;

--DEFUSED THE HATRED WILSON ENGENDERED IN THE PARLIAMENTARY PARTY; AND

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--SKILLFULLY DEALT WITH THE OPPOSITION IN THE COMMONS.

THE EMBASSY CAUTIONS, HOWEVER, THAT THE PRIME MINISTER:

--HAS YET TO MEET HIS FIRST MAJOR ECONOMIC TEST;

--MUST STILL RESOLVE ECONOMIC PROBLEMS THROUGH TOUGH SOCIAL DEMOCRATIC POLICIES, WHILE AT THE SAME TIME KEEPING HIS PARTY TOGETHER AND HIS TINY PARLIAMENTARY MAJORITY INTACT; AND

--MUST SEEK A SOLUTION, BEGINNING IN NOVEMBER, TO THE CRITICAL ISSUE OF SCOTLAND'S ROLE IN THE UNITED KINGDOM. (CONFIDENTIAL) LONDON 10820, 7/12.)

## 2. PRAVDA FORDS THE STREAM TO CARTER

IN A JULY 11 ARTICLE ON THE US ELECTION A PRAVDA COMMENTATOR HELD THAT:

--THERE IS NO ESSENTIAL DIFFERENCE BETWEEN THE FOREIGN POLICY VIEWS OF PRESIDENT FORD AND GOVERNOR CARTER.

--THE DISPUTE BETWEEN THE TWO CONCERNS ONLY "METHODS OF PREPARING SOLUTIONS, PRIORITIES, AND DIPLOMATIC STYLE."

EMBASSY COMMENT: THIS IS THE FIRST MAJOR SOVIET STATEMENT EQUATING THE FOREIGN POLICIES OF GOVERNOR CARTER AND THE CURRENT ADMINISTRATION. THE MESSAGE IS THAT THE USSR CAN LIVE WITH GOVERNOR CARTER SHOULD HE BE ELECTED. (LIMITED OFFICIAL USE) MOSCOW 10930, 7/12.)

## 3. SPAIN: CAN SUAREZ REGROUP THE CENTER?

ALVAREZ DE MIRANDA, RESPECTED LEADER OF THE CENTER-LEFT CHRISTIAN DEMOCRATIC POPULAR PARTY, TOLD AMBASSADOR STABLER THAT THE ORGANIZATION OF THE SUAREZ GOVERNMENT FURTHER FACILITATED THE CENTER BY:

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--NOT RETAINING AREILZA, THE POLITICAL FIGURE WITH THE MOST CREDIBILITY AMONG THE DEMOCRATIC GROUPS; AND

--SELECTING THE NEW CABINET ON THE BASIS OF CONSULTATION WITH INDIVIDUALS RATHER THAN WITH THE POLITICAL PARTIES AS SUCH.

ALVAREZ, HOWEVER, BELIEVES THE CENTER SHOULD SUPPORT THE

GOVERNMENT BECAUSE, IF SUAREZ FAILS, FUTURE OPTIONS MAY BE "UNPLEASANT" AND COULD INCLUDE A "MILITARY DIRECTORATE." HE WARNED THAT:

--OUT OF POLITICAL NECESSITY, THE GOVERNMENT MAY PUT POLITICAL REFORM AHEAD OF UNPOPULAR ECONOMIC MEASURES.

--THE KING HAS ILL-ADVISEDLY INVOLVED HIS PRESTIGE IN THE SUAREZ GOVERNMENT, MAKING ITS SUCCESS A SERIOUS TEST OF THE MONARCHY'S FUTURE. (CONFIDENTIAL) MADRID 5343, 7/10.)

#### 4. GREEK BASE NEGOTIATIONS: A MATTER OF TRUST

COMMENTING ON RECENT US-GREEK DISCUSSIONS IN WASHINGTON, EMBASSY ATHENS NOTES THAT VIRTUALLY ALL THE ISSUES TO WHICH THE GREEKS PROFESS TO ATTACH IMPORTANCE ARISE FROM A LACK OF CONFIDENCE IN US INTENTIONS WITH RESPECT TO GREEK-TURKISH DIFFERENCES. THEREFORE:

--THE REMAINING ISSUES CANNOT BE RESOLVED BY INGENIOUS FORMULATIONS IN THE TEXT OF THE AGREEMENT OR BY CLASSIFIED EXCHANGES DEFINING EXCEPTIONS TO IT.

--IF THE GREEKS WANT A DEFENSE COOPERATION AGREEMENT WITH THE US--AND THEY APPEAR TO--THEY WILL HAVE ACCEPT THE MUTUALITY OF GREEK-US INTERESTS.

THE EMBASSY ADDS THAT TIMELY CONCLUSION OF THE DCA REQUIRES THAT WE CONVINCE THE GREEKS THAT:

--WE HAVE NO INTENTION OF NEGOTIATING AN AGREEMENT WHICH DISADVANTAGES THEM VIS-A-VIS THE TURKS.

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--THEY ARE BETTER OFF SIGNING AN AGREEMENT NOW, EVEN IF IT INVOLVES STRETCHING THEIR CONFIDENCE, THAN TO WAIT AND TRUST TO THE VAGARIES OF EVENTS WITHIN AND OUTSIDE GREECE OVER WHICH NEITHER COUNTRY HAS FULL CONTROL. (SECRET) ATHENS 8023 (EXDIS), 7/12.) KISSINGER

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